

## Message Text

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PAGE 01 MANILA 14258 261024Z

16

ACTION EB-11

INFO OCT-01 EA-11 ISO-00 AID-20 CIAE-00 COME-00 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 NSC-10 SS-20 STR-08

CEA-02 DRC-01 /129 W

----- 091120

R ?0924Z DEC 73

FM AMEMBASSY MANILA

TO SECSTATE WASHDC 001

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E.O. 11652: N/A

TAGS: EIND, ENGR, RP

SUBJECT: MONTELIBANO 2 (MALAYA) POWER PLANT

EB FOR SEARBY

COMMERCE FOR VAN GESSEL

DEPT PASS EXIM

REF: A) MANILA 13357

B) MANILA 13795 C) STATE 246979

1. ON DECEMBER 14 MANILA ELECTRIC COMPANY (MERALCO) ISSUED LETTER OF INTENT TO MARUBENI-HITACHI FOR SUPPLY OF EQUIPMENT FOR MALAYA 2 POWER PLANT. THIS REPRESENTS A LOSS OF \$25-30 MILLION IN SALES, AND WE HAVE DEFERRED THIS REPORT IN ORDER TO CONSULT FULLY WITH U.S. BIDDERS, GE AND WESTINGHOUSE, ON WHY US LOST THIS MAJOR CONTRACT.

2. IT IS EMBASSY UNDERSTANDING THAT U.S. FIRM GENERAL ELECTRIC OFFERED MOST ATTRACTIVE BID EXCEPT FOR LENGTH OF REPAYMENT PERIOD. MERALCO HAD INFORMED BIDDERS THAT IT WOULD PLACE GREATEST EMPHASIS ON THIS FACTOR AND MATTER DISCUSSED BY GE WITH EXIM. AT THIS POINT, EMBASSY ADVISED EXIM

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PAGE 02 MANILA 14258 261024Z

THAT GENERAL ELECTRIC AND WESTINGHOUSE WOULD BE SEEKING REAFFIRMATION OF EXIM COMMITMENT (REF A). REF C IS ONLY RESPONSE THUS FAR RECEIVED WID THAT ONLY AFTER FOLLOW-UP TELEGRAM (REF B) AND TELEPHONE CALLS TO WASHINGTON.

3. PER ARNOLD/WILLNER TELECON OF DEC. 15, WE UNDERSTAND FROM EXIM PROJECT OFFICER UELZEN THAT BANK'S CONCERN WAS CREDIT WORTHINESS MERALCO OR PROBABILITY OF REPAYMENT. ON THIS ISSUE, WE MUST NOTE THAT POLICY UP TO NOW HAS BEEN TO RESOLVE SUCH DOUBTS BY REQUIRING PHILIPPINE GOVERNMENT GUARANTEE. THERE IS NO INDICATION THAT QUESTION WAS PURSUED. NEITHER WAS THERE CUSTOMARY REQUEST FROM EXIM FOR POST JUDGMENT AS TO ADEQUACY OF COVERAGE OF PROSPECTIVE BORROWINGS BY MERALCO.

4. WHAT DISTURBS MISSION IS IMPRESSION WE HAVE GOTTEN THAT NO ONE ON WASHINGTON END THIS BIG TICKET EFFORT WAS CONCERNED WITH NECESSITY TO PROVIDE AMERICAN BIDDERS WITH ASSURED FINANCING TOOLS CLEARLY NEEDED TO COMPETE OR WITH PROMPT ANSWER TO THEIR REQUEST FOR INFORMATION ON FINANCIAL SUPPORT LIKELY TO BE AVAILABLE. WITHOUT SUPPORT OF EXIM AMERICAN SUPPLIERS WERE PRECLUDED FROM PRESENTING EFFECTIVELY COMPETITIVE FINANCING PROPOSAL. FAILURE OF EXIM TO RESPOND TO POST REQUEST PREVENTED MISSION OFFICIALS FROM MAKING ONE LAST PITCH ON BEHALF OF AMERICAN BIDDERS TO COUNTER CONTINUING EFFORT BY JAPANESE EMBASSY ON BEHALF OF MARUBENI.

5. WE WISH CALL ATTENTION TO SEVERAL ASPECTS THIS LOSS OF SALE. FIRST, AS IT APPEARS TO US, IS THAT WE STILL LACK A CONCERTED WASHINGTON APPROACH TO BIG TICKET SALES OPPORTUNITIES. THAT ASSURES CLOSE ROUTING ATTENTION. SECOND IT THAT WE HAVE NO ORDERLY WAY IN WHICH TO BE SURE THAT WASHINGTON AGENCIES ARE ACTUALLY READING AND GIVING PRIORITY TO TAKING ADVANTAGE OF SUCH REPORTS OF SALES OPPORTUNITIES. THIRD, A SPECIFIC PROBLEM IN THIS CASE IS APPARENT FACT THAT EXIM WITHDREW ITS INITIAL SUPPORT OF US BIDS ON THIS PROJECT WITHOUT TELLING EITHER EMBASSY, DEPARTMENT OR US BIDDERS. WE FIND NONE OF THIS ENCOURAGING TO US EXPORT PROMOTIONAL EFFORTS AND WE DO NOT SEE IN RECENT MARKET DEVELOPMENTS A SUFFICIENT SIGN THAT OUR LIMITED OFFICIAL USE

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PAGE 03 MANILA 14258 261024Z

EFFORTS TO PROMOTE US EXPORTS SHOULD BE RELAXED.

6. AS A FINAL POINT, IT IS MOST ENCOURAGING THAT WE WERE COMPETITIVE ON PRICE, QUALITY, INTEREST RATES AND DELIVERY SCHEDULES FOR A MAJOR POWER PLANT IN THE PHILIPPINES FOR THE FIRST TIME IN TWO DECADES.  
SULLIVAN

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NNN

\*\*\* Current Handling Restrictions \*\*\* n/a

\*\*\* Current Classification \*\*\* LIMITED OFFICIAL USE

## Message Attributes

**Automatic Decaptioning:** X  
**Capture Date:** 01 JAN 1994  
**Channel Indicators:** n/a  
**Current Classification:** UNCLASSIFIED  
**Concepts:** FINANCE, INDUSTRIAL PLANTS, NUCLEAR POWER PLANTS, PROGRAMS (PROJECTS), PROPOSALS (BID)  
**Control Number:** n/a  
**Copy:** SINGLE  
**Draft Date:** 20 DEC 1973  
**Decaption Date:** 01 JAN 1960  
**Decaption Note:**  
**Disposition Action:** RELEASED  
**Disposition Approved on Date:**  
**Disposition Authority:** golinofr  
**Disposition Case Number:** n/a  
**Disposition Comment:** 25 YEAR REVIEW  
**Disposition Date:** 28 MAY 2004  
**Disposition Event:**  
**Disposition History:** n/a  
**Disposition Reason:**  
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**Line Count:** 119  
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**Office:** ACTION EB  
**Original Classification:** LIMITED OFFICIAL USE  
**Original Handling Restrictions:** n/a  
**Original Previous Classification:** n/a  
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**Page Count:** 3  
**Previous Channel Indicators:**  
**Previous Classification:** LIMITED OFFICIAL USE  
**Previous Handling Restrictions:** n/a  
**Reference:** 73 MANILA 13357  
**Review Action:** RELEASED, APPROVED  
**Review Authority:** golinofr  
**Review Comment:** n/a  
**Review Content Flags:**  
**Review Date:** 06 DEC 2001  
**Review Event:**  
**Review Exemptions:** n/a  
**Review History:** RELEASED <06-Dec-2001 by cunninfx>; APPROVED <21-Dec-2001 by golinofr>  
**Review Markings:**

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**Review Media Identifier:**  
**Review Referrals:** n/a  
**Review Release Date:** n/a  
**Review Release Event:** n/a  
**Review Transfer Date:**  
**Review Withdrawn Fields:** n/a  
**Secure:** OPEN  
**Status:** <DBA CORRECTED> jms 980316  
**Subject:** MONTELIBANO 2 (MALAYA) POWER PLANT EB FOR SEARBY  
**TAGS:** EIND, ENRG, RP, XMB  
**To:** STATE  
**Type:** TE  
**Markings:** Declassified/Released US Department of State EO Systematic Review 30 JUN 2005